

## Message Text

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ACTION EUR-25

INFO OCT-01 NEA-10 IO-13 ADP-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 AGR-20 SS-15

NSC-10 L-03 EURE-00 TAR-02 RSR-01 /164 W

----- 075256

P R 271825Z JUL 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5605

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN POUCH

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY ROME

AEMBASSY TEL AVIV PRIORITY 517

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

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PASS AGRICULTURE

E.O. 11652: NA

TAGS: ETRD EEC IS

SUBJ: EC NEGOTIATIONS WITH ISRAEL

REF: EC BRUSSELS 3126 AND 3593

1. SUMMARY. THE EC COMMISSION AND ISRAEL HAVE  
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COMPLETED A FIRST ROUND OF NEGOTIATION OF A NEW

TRADE AGREEMENT. THE ISRAELIS HAVE EXPRESSED THEIR DISSATISFACTION WITH THE LIMITED AGRICULTURAL OFFERS MADE BY THE COMMUNITY AND HAVE REQUESTED A SUBSTANTIAL LENGTHENING OF THE TRANSITIONAL PERIOD BEFORE MOVING TO FREE TRADE IN INDUSTRIAL PRODUCTS. THE TWO SIDES WILL MEET OCTOBER 1 AND 2 FOR THE NEXT ROUND OF NEGOTIATIONS. END SUMMARY.

2. THE EC COMMISSION AND AN ISRAELI DELEGATION MET ON JULY 19-20 IN AN INITIAL ROUND OF NEGOTIATIONS AIMED AT REACHING AGREEMENT ON A NEW TRADING ARRANGEMENT BETWEEN THE COMMUNITY AND ISRAEL BY YEAR END. THE FIRST ROUND OF NEGOTIATIONS WAS DEVOTED PRIMARILY TO AN EXPOSITION OF THE COMMUNITY NEGOTIATING MANDATE APPROVED IN JUNE AS PART OF THE EC'S GLOBAL MEDITERRANEAN POLICY. (REFTEL) THIS ELICITED AN IMMEDIATE ISRAELI RESPONSE INCLUDING A REQUEST FOR IMPROVEMENT IN THE COMMUNITY OFFER.

3. THE ISRAELIS TOOK THE POSITION THAT THE COMMUNITY MANDATE, WHILE ON THE SURFACE PROVIDING FOR SOME RECIPROCITY WAS, NEVERTHELESS, UNBALANCED IN FAVOR OF THE COMMUNITY. THEY NOTED THAT ISRAEL WAS EXPECTED TO ELIMINATE DUTIES ON MOST (IF PERCENT) OF ITS INDUSTRIAL IMPORTS FROM THE COMMUNITY (REPRESENTING ABOUT 95 PERCENT OF TOTAL IMPORTS FROM THE EC ) BY JULY 1, 1977. AT THE SAME TIME THE COMMUNITY WAS PREPARED TO MAKE CONCESSIONS ON ONLY ABOUT 57 PERCENT OF ITS IMPORTS FROM ISRAEL AS THE RESULT OF ITS DECISION TO GRANT ONLY LIMITED CONCESSIONS IN THE AGRICULTURAL FIELD WHICH MAKE UP A SUBSTANTIAL PORTION OF ISRAEL'S EXPORTS TO EUROPE.

4. ISRAEL OBJECTED TO BOTH THE EXCLUSION OF AGRICULTURE, AS A SECTOR, FROM THE AGREEMENT AND TO THE LESS FAVORABLE TREATMENT BEING OFFERED TO ISRAEL AS COMPARED TO THE MAHGREB COUNTRIES ON THOSE AGRICULTURAL CONCESSIONS INCLUDED IN THE EC MANDATE. THE ISRAELIS FIND PARTICULARLY HARD TO ACCEPT THE POSSIBILITY THAT IN THE UK CITRUS MARKET, WHICH TAKES LIMITED OFFICIAL USE

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ABOUT ONE-THIRD OF ISRAEL'S CITRUS EXPORTS, MAHGREB PRODUCERS MAY HAVE, IN THE FUTURE, AN ADVANTAGE VIS-A-VIS ISRAEL. (THE EC HAS OFFERED ISRAEL 60 PERCENT OF THE CXT REDUCTION ON CITRUS, AND INCREASE FROM THE 40 PERCENT LEVEL AVAILABLE UNDER THE CURRENT AGREEMENT BUT LESS THAN THE 80 PERCENT OFFERED THE MAHGREB.)

5. ISRAELI NEGOTIATORS SPECIFICALLY REQUESTED

THAT THE COMMUNITY IMPROVE THE ENTRY TERMS FOR  
CERTAIN PRODUCTS ON THE EC AGRICULTURAL CONCESSION  
LIST BY INCREASING THE TARIFF PREFERENCE OR BY  
EXTENDING THE CALENDAR PERIOD DURING WHICH THESE  
PRODUCTS CAN ENTER THE EC ON A PREFERENTIAL BASIS.  
(THE PRODUCTS INVOLVED INCLUDE CARROTS, AVOCADOES,  
MELONS, STRAWBERRIES, EGGPLANT AND ZUCCHINI.)  
IN ADDITION, THE ISRAELIS ASKED THAT CUT FLOWERS  
AND ONIONS BE ADDED TO THE EC AGRICULTURAL CONCESSION  
LIST.

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6. ON THE INDUSTRIAL SIDE, THE ISRAELIS TOOK ISSUE WITH THE EC MANDATE WHICH CALLS FOR ISRAEL TO ELIMINATE TARIFFS ON 80 PERCENT OF ITS INDUSTRIAL IMPORTS FROM THE EC BY JULY 1977; DUTIES ON THE REMAINING 20 PERCENT WOULD BE ELIMINATED BY JANUARY 1, 1980. ISRAEL PROPOSED A SUBSTANTIALLY SLOWER CALENDAR OF TARIFF REDUCTIONS. IT IS PREPARED TO ELIMINATE TARIFFS ON 60 PERCENT OF ITS INDUSTRIAL IMPORTS FROM THE EC BETWEEN JANUARY 1, 1974 AND JANUARY 1, 1985. IT WOULD REDUCE TARIFFS ON THE REMAINING 40 PERCENT OF LIMITED OFFICIAL USE

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ITS IMPORTS ACCORDING TO A SEPARATE CALENDAR WHICH WOULD BEGIN IN 1978 AND WOULD RUN TO JANUARY 1, 1989. THE LATTER TARIFF REDUCTIONS WOULD BE DEPENDENT ON THE COMMUNITY MAKING FURTHER SUBSTANTIAL CONCESSIONS IN THE AGRICULTURAL SECTOR AFTER 1977.

7. ISRAEL IS PREPARED TO ACCEPT THE FACT THAT IT WILL NOT RECEIVE FINANCIAL AID FROM THE COMMUNITY IN ANY FUTURE AGREEMENT BUT IT IS ANXIOUS THAT THE COOPERATION POLICY INCLUDED IN ANY SUCH AGREEMENT PARTICULARLY IN THE SCIENTIFIC AND INDUSTRIAL FIELDS BE MEANINGFUL. SO FAR THE COMMUNITY OFFER IN THIS SECTOR IS VERY GENERAL IN NATURE AND GOES LITTLE FURTHER THAN GENERAL STATEMENTS OF INTENT.

8. THE NEXT NEGOTIATING SESSION IS SCHEDULED FOR OCTOBER 1-2. THERE ALREADY IS A GENERAL EXPECTATION ON BOTH SIDES THAT THE COMMISSION AT SOME POINT -- PROBABLY IN NOVEMBER -- WILL HAVE TO GO BACK TO THE COUNCIL FOR A REVISED MANDATE. IT ALSO SEEMS LIKELY THAT WORKING PARTIES WILL BE ESTABLISHED ALONG THE LINES OF THOSE SET UP DURING THE EC EFTA NEGOTIATIONS TO TAKE UP THE MORE DETAILED ASPECTS OF THE INDUSTRIAL AND AGRICULTURAL CONCESSIONS TO BE NEGOTIATED.

9. IN OUR DISCUSSIONS WITH ISRAELI OFFICIALS IN BRUSSELS, THEY HAVE REITERATED THAT ISRAEL IS ANXIOUS TO AVOID DISCRIMINATION AGAINST THE UNITED STATES. THEY HAVE NOTED THAT UNDER THE PROPOSED AGREEMENT WITH THE EC, ISRAEL WOULD BE ABLE TO EXTEND CONCESSIONS TO THIRD COUNTRIES SUCH AS THE US AFTER SIMPLE NOTIFICATION TO THE COMMUNITY. THEY EXPECT THAT, ONCE AGREEMENT IS REACHED WITH THE EC, THEY WOULD EXAMINE WITH US WHAT SPECIFIC TARIFF DISCRIMINATION COULD CAUSE DIFFICULTY FOR US EXPORTS. THEY WOULD THEN BE PREPARED TO MAKE TARIFF ADJUSTMENTS. THESE OFFICIALS STRONGLY DEFEND THE NECESSITY OF SEEKING A FREE TRADE ARRANGEMENT WITH THE EC PARTICULARLY SINCE THEIR

LEADING COMPETITOR (SPAIN) WILL EVENTUALLY BECOME A FULL  
MEMBER OF THE COMMUNITY.HARTMAN

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